



DEPARTMENT OF THE ARMY
OFFICE OF THE CHIEF OF ENGINEERS
WASHINGTON, D.C. 20314-1000

REPLY TO
ATTENTION OF:

CERM-BA

07 JAN 1999

MEMORANDUM FOR COMMANDERS/DIRECTORS, USACE COMMANDS

SUBJECT: Revolving Fund Asset Documentation for Chief Financial Officers' Reports
(CAPITAL INVESTMENT POLICY MEMO #1)

1. References:

a. Audit Report, USAAA, 30 June 1994, Subject: FY 93 Financial Statements Civil Works, U.S. Army Corps of Engineers

b. Memorandum, CECW-OM/CERM-F, 8 May 1995, Subject: Unimplemented Audit Recommendations

c. Army Regulation 25-400-2, The Modern Army Recordkeeping System (MARKS).

2. This memorandum provides policy guidance regarding Revolving Fund capitalized asset documentation for accounting and financial reporting purposes. This policy will be included in a subsequent revision of Chapter 15 of ER 37-2-10, Financial Administration Accounting and Reporting - Civil Works Activities. However, this guidance is provided before its formal incorporation into regulations because it furnishes the asset documentation requirements necessary to comply with the Federal Accounting Standards Advisory Board Statement of Federal Financial Accounting Standard No. 6, "Accounting for Property, Plant and Equipment," in preparation for producing the Command's FY 1999 financial statements.

3. Reference a. recommended and USACE concurred that we will maintain and consolidate asset valuation records until assets are retired (Recommendation E-1). Reference b. addressed documentation of assets acquired after 1 Jun 96.

4. Guidance for documenting assets acquired before 1 Jun 96 follows:

a. Use existing records. If a specific asset selected for CFO audit testing is not supported by historical cost information, use other documentation. Acceptable documentation, in order of preference, includes:

(1) Current working estimate prepared for the acquisition, appropriation or other Congressional information.

(2) Work order completion report.

(3) Plant Replacement and Improvement Program documentation.

(4) Current estimate. Document the basis for and calculation of estimated value; avoid implying precise values when developing estimates. Base estimates on:

(a) Cost of similar items at the time of the original acquisition

CERM-BA

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(b) Current cost of similar assets, discounted for inflation since the time of acquisition (that is, deflate current cost to then-cost by the general price index).

b. Materiality and cost-benefit should be determining factors for assets "found on post" that would be substantially depreciated had they been recorded at acquisition. As apropos,

(1) Record only improvements made during the period beyond the initial expected useful life.


(2) Make an aggregate entry for whole asset classes (for example, entire facility rather than individual buildings).

5. Retain all capitalized asset records indefinitely. Electronic media is acceptable where it is available. A Modern Army Recordkeeping System (MARKS) code 37-2-10b Revolving fund plant in-service cost is recommended for hardcopy files. Destroy these files 3 years after the end of the fiscal year in which plant is disposed of, IAW reference c.

6. My point of contact is Gretchen Anderson or Marilyn White, commercial (202) 761-0075 or DSN 763-0075.

FOR THE COMMANDER:

Encl


for STEPHEN COAKLEY COL
Deputy Chief of Staff, ADCSRM
Resource Management